

# QUARTERLY REPORT

TRADING NAME OF LICENSEE:

Marina District Development Company, LLC and Subsidiary  
(Borgata Hotel Casino & Spa)

For The Quarter Ended September 30, 2003

TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY

# BALANCE SHEETS

AS OF SEPTEMBER 30, 2003 AND 2002

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2003 (c)	2002 (d)
	<b>ASSETS</b>		
	Current Assets:		
1	Cash and Cash Equivalents.....	\$ 4,717	\$ -
2	Short-Term Investments.....	-	-
3	Receivables and Patrons' Checks (Net of Allowance for Doubtful Accounts - 2003, \$1,563; 2002, \$0)..... Note 3.....	11,214	-
4	Inventories.....	1,882	-
5	Prepaid Expenses and Other Current Assets.....	3,774	-
6	Total Current Assets.....	21,587	-
7	Investments, Advances, and Receivables.....	2,699	-
8	Property and Equipment - Gross.....	1,007,744	-
9	Less: Accumulated Depreciation and Amortization.....	(13,960)	-
10	Property and Equipment - Net..... Note 4.....	993,784	-
11	Other Assets.....	23,079	-
12	Total Assets.....	\$ 1,041,149	\$ -
	<b>LIABILITIES AND EQUITY</b>		
	Current Liabilities:		
13	Accounts Payable.....	\$ 25,774	\$ -
14	Notes Payable.....	-	-
	Current Portion of Long-Term Debt:		
15	Due to Affiliates.....	-	-
16	Other..... Note 8.....	49,375	-
17	Income Taxes Payable and Accrued.....	-	-
18	Other Accrued Expenses..... Note 5.....	44,100	-
19	Other Current Liabilities..... Note 6.....	10,279	-
20	Total Current Liabilities.....	129,528	-
	Long-Term Debt:		
21	Due to Affiliates.....	-	-
22	Other..... Note 8.....	548,875	-
23	Deferred Credits.....	-	-
24	Other Liabilities..... Note 9.....	19,694	-
25	Commitments and Contingencies		
26	Total Liabilities.....	698,097	-
27	Stockholders', Partners', or Proprietor's Equity..... Note 2.....	343,052	-
28	Total Liabilities and Equity.....	\$ 1,041,149	\$ -

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER, 2003 AND 2002

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2003 (c)	2002 (d)
	Revenue:		
1	Casino.....	\$ 136,184	\$ -
2	Rooms.....	18,303	-
3	Food and Beverage.....	26,165	-
4	Other.....	3,692	-
5	Total Revenue.....	184,344	-
6	Less: Promotional Allowances..... Note 1.....	34,662	-
7	Net Revenue.....	149,682	-
	Costs and Expenses:		
8	Cost of Goods and Services..... Note 1.....	73,215	-
9	Selling, General, and Administrative..... Note 7, 10.....	42,625	-
10	Provision for Doubtful Accounts..... Note 3.....	1,568	-
11	Total Costs and Expenses.....	117,408	-
12	Gross Operating Profit.....	32,274	-
13	Depreciation and Amortization.....	12,797	-
	Charges from Affiliates Other than Interest:		
14	Management Fees.....	-	-
15	Other.....	-	-
16	Income (Loss) from Operations.....	19,477	-
	Other Income (Expenses):		
17	Interest (Expense) - Affiliates.....	-	-
18	Interest (Expense) - External..... Note 9.....	(10,894)	-
19	Investment Alternative Tax and Related Income (Expense) - Net.....	(1,778)	-
20	Nonoperating Income (Expense) - Net.....	127	-
21	Total Other Income (Expenses).....	(12,545)	-
22	Income (Loss) Before Income Taxes and Extraordinary Items.....	6,932	-
23	Provision (Credit) for Income Taxes..... Note 11.....	765	-
24	Income (Loss) Before Extraordinary Items.....	6,167	-
	Extraordinary Items (Net of Income Taxes -		
25	2003, \$0; 2002, \$0).....	-	-
26	Net Income (Loss).....	\$ 6,167	\$ -

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2003 (c)	2002 (d)
	Revenue:		
1	Casino.....	\$ 136,184	\$ -
2	Rooms.....	18,303	-
3	Food and Beverage.....	26,165	-
4	Other.....	3,692	-
5	Total Revenue.....	184,344	-
6	Less: Promotional Allowances..... Note 1.....	34,662	-
7	Net Revenue.....	149,682	-
	Costs and Expenses:		
8	Cost of Goods and Services..... Note 1.....	73,215	-
9	Selling, General, and Administrative..... Note 7, 10.....	42,625	-
10	Provision for Doubtful Accounts..... Note 3.....	1,568	-
11	Total Costs and Expenses.....	117,408	-
12	Gross Operating Profit.....	32,274	-
13	Depreciation and Amortization.....	12,797	-
	Charges from Affiliates Other than Interest:		
14	Management Fees.....	-	-
15	Other.....	-	-
16	Income (Loss) from Operations.....	19,477	-
	Other Income (Expenses):		
17	Interest (Expense) - Affiliates.....	-	-
18	Interest (Expense) - External..... Note 9.....	(10,894)	-
19	Investment Alternative Tax and Related Income (Expense) - Net.....	(1,778)	-
20	Nonoperating Income (Expense) - Net.....	127	-
21	Total Other Income (Expenses).....	(12,545)	-
22	Income (Loss) Before Income Taxes and Extraordinary Items.....	6,932	-
23	Provision (Credit) for Income Taxes..... Note 11.....	765	-
24	Income (Loss) Before Extraordinary Items.....	6,167	-
	Extraordinary Items (Net of Income Taxes -		
25	2003, \$0; 2002, \$0).....	-	-
26	Net Income (Loss).....	\$ 6,167	\$ -

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# STATEMENTS OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002  
AND THE NINE MONTHS ENDED SEPTEMBER, 2003

(UNAUDITED)  
(\$ IN THOUSANDS)

Line (a)	Description (b)	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	Accumulated Other Comprehensive Income (Loss) (e)	Total Equity (Deficit) (f)
1	Balance, December 31, 2001.....	\$ -	\$ -	\$ -	\$ -
2	Net Income (Loss) - 2002.....	-	-	-	-
3	Capital Contributions.....	-	-	-	-
4	Capital Withdrawals.....	-	-	-	-
5	Partnership Distributions.....	-	-	-	-
6	Prior Period Adjustments.....	-	-	-	-
7	Other Comprehensive Income, net.....	-	-	-	-
8	.....	-	-	-	-
9	.....	-	-	-	-
10	Balance, June 30, 2003.....	376,700	(58,283)	(23,609)	294,808
11	Net Income (Loss) - 2003.....	-	6,167	-	6,167
12	Capital Contributions.....	36,000	-	-	36,000
13	Capital Withdrawals.....	-	-	-	-
14	Partnership Distributions.....	-	-	-	-
15	Prior Period Adjustments.....	-	-	-	-
16	Other Comprehensive Income, net.....	-	-	6,077	6,077
17	.....	-	-	-	-
18	.....	-	-	-	-
19	Balance, September 30, 2003.....	\$ 412,700	\$ (52,116)	\$ (17,532)	\$ 343,052

*Marina District Development Company is a limited liability company and therefore is treated as a partnership.*

The accompanying notes are an integral part of the financial statements.

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Valid comparisons cannot be made without using information contained in the notes.

# STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED SEPTEMBER, 2003 AND 2002

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2003 (c)	2002 (d)
1	NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES.....	\$ (26,256)	\$ -
	CASH FLOWS FROM INVESTING ACTIVITIES:		
2	Purchase of Short-Term Investment Securities.....	-	-
3	Proceeds from the Sale of Short-Term Investment Securities.....	-	-
4	Cash Outflows for Property and Equipment.....	(24,583)	-
5	Proceeds from Disposition of Property and Equipment.....	-	-
6	Purchase of Casino Reinvestment Obligations.....	-	-
7	Purchase of Other Investments and Loans/Advances made.....	-	-
8	Proceeds from Disposal of Investments and Collection of Advances and Long-Term Receivables.....	-	-
9	Cash Outflows to Acquire Business Entities.....	-	-
10		-	-
11		-	-
12	Net Cash Provided (Used) By Investing Activities.....	(24,583)	-
	CASH FLOWS FROM FINANCING ACTIVITIES:		
13	Cash Proceeds from Issuance of Short-Term Debt.....	-	-
14	Payments to Settle Short-Term Debt.....	-	-
15	Cash Proceeds from Issuance of Long-Term Debt.....	80,100	-
16	Costs of Issuing Debt.....	-	-
17	Payments to Settle Long-Term Debt.....	(84,050)	-
18	Cash Proceeds from Issuing Stock or Capital Contributions.....	36,000	-
19	Purchases of Treasury Stock.....	-	-
20	Payments of Dividends or Capital Withdrawals.....	-	-
21		-	-
22		-	-
23	Net Cash Provided (Used) By Financing Activities.....	32,050	-
24	Net Increase (Decrease) in Cash and Cash Equivalents.....	(18,789)	-
25	Cash and Cash Equivalents at Beginning of Period.....	23,506	-
26	Cash and Cash Equivalents at End of Period.....	\$ 4,717	\$ -
	CASH PAID DURING PERIOD FOR:		
27	Interest (Net of Amount Capitalized).....	\$ 8,388	\$ -
28	Income Taxes.....	\$ -	\$ -

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

# STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED SEPTEMBER, 2003 AND 2002

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2003 (c)	2002 (d)
	<b>NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
29	Net Income (Loss).....	\$ 6,167	\$ -
	Noncash Items Included in Income and Cash Items Excluded from Income:		
30	Depreciation and Amortization of Property and Equipment.....	12,124	-
31	Amortization of Other Assets.....	673	-
32	Amortization of Debt Discount or Premium.....	-	-
33	Deferred Income Taxes - Current.....	-	-
34	Deferred Income Taxes - Noncurrent.....	-	-
35	(Gain) Loss on Disposition of Property and Equipment.....	-	-
36	(Gain) Loss on Casino Reinvestment Obligations.....	1,778	-
37	(Gain) Loss from Other Investment Activities.....	-	-
	Net (Increase) Decrease in Receivables and Patrons'		
38	Checks.....	(10,790)	-
39	Net (Increase) Decrease in Inventories.....	(1,183)	-
40	Net (Increase) Decrease in Other Current Assets.....	(1,557)	-
41	Net (Increase) Decrease in Other Assets.....	10,471	-
42	Net Increase (Decrease) in Accounts Payable.....	(81,177)	-
	Net Increase (Decrease) in Other Current Liabilities Excluding Debt.....	36,372	-
	Net Increase (Decrease) in Other Noncurrent Liabilities Excluding Debt.....	905	-
45	Net Loss (Gain) on Derivative Financial Instruments.....	(39)	-
46		-	-
47	Net Cash Provided (Used) By Operating Activities.....	\$ (26,256)	\$ -

## SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	<b>ACQUISITION OF PROPERTY AND EQUIPMENT:</b>		
48	Additions to Property and Equipment.....	\$ (24,583)	\$ -
49	Less: Capital Lease Obligations Incurred.....	-	-
50	Cash Outflows for Property and Equipment.....	\$ (24,583)	\$ -
	<b>ACQUISITION OF BUSINESS ENTITIES:</b>		
51	Property and Equipment Acquired.....	\$ -	\$ -
52	Goodwill Acquired.....	-	-
	Net Assets Acquired Other than Cash, Goodwill, and		
53	Property and Equipment.....	-	-
54	Long-Term Debt Assumed.....	-	-
55	Issuance of Stock or Capital Invested.....	-	-
56	Cash Outflows to Acquire Business Entities.....	\$ -	\$ -
	<b>STOCK ISSUED OR CAPITAL CONTRIBUTIONS:</b>		
57	Total Issuances of Stock or Capital Contributions.....	\$ 36,000	\$ -
58	Less: Issuances to Settle Long-Term Debt.....	-	-
59	Consideration in Acquisition of Business Entities.....	-	-
60	Cash Proceeds from Issuing Stock or Capital Contributions.....	\$ 36,000	\$ -

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

## SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

(\$ IN THOUSANDS)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	75,893	\$ 10,172	-	\$ -
2	Food	344,098	6,734	106,927	1,069
3	Beverage	1,222,339	3,964	10,317	103
4	Travel	-	-	2,004	485
5	Bus Program Cash	-	-	-	-
6	Other Cash Complimentaries	294,744	7,369	-	-
7	Entertainment	9,239	369	94	71
8	Retail & Non-Cash Gifts	-	-	6,394	1,597
9	Parking	-	-	-	-
10	Other*	242,180	6,054	1,642,330	1,502
11	Total	2,188,493	\$ 34,662	1,768,066	\$ 4,827

\* Promotional Allowances - Other includes \$5,127 of comp dollars and slot dollars earned but not redeemed. No other individual item within Promotional Allowances - Other exceeds 5% of Total Promotional Allowances. Promotional Expenses - Other includes \$1,499 of comp taxes. No other individual item within Promotional Expenses - Other exceeds 5% of Total Promotional Expenses.

FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2003

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	75,893	\$ 10,172	-	\$ -
2	Food	344,098	6,734	106,927	1,069
3	Beverage	1,222,339	3,964	10,317	103
4	Travel	-	-	2,004	485
5	Bus Program Cash	-	-	-	-
6	Other Cash Complimentaries	294,744	7,369	-	-
7	Entertainment	9,239	369	94	71
8	Retail & Non-Cash Gifts	-	-	6,394	1,597
9	Parking	-	-	-	-
10	Other*	242,180	6,054	1,642,330	1,502
11	Total	2,188,493	\$ 34,662	1,768,066	\$ 4,827

\* Promotional Allowances - Other includes \$5,127 of comp dollars and slot dollars earned but not redeemed. No other individual item within Promotional Allowances - Other exceeds 5% of Total Promotional Allowances. Promotional Expenses - Other includes \$1,499 of comp taxes. No other individual item within Promotional Expenses - Other exceeds 5% of Total Promotional Expenses.



# Marina District Development Company, LLC and Subsidiary

(A Wholly-Owned Subsidiary of Marina District Development Holding Co., LLC)

## Notes to Condensed Consolidated Financial Statements (Unaudited)

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### Note 1. Summary of Significant Accounting Policies

#### *Basis of Presentation*

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and include the accounts of Marina District Development Company, LLC, d.b.a. Borgata, (a development-stage enterprise prior to July 3, 2003) ("MDDC, LLC") and Marina District Finance Company, Inc. ("MDFC"), its wholly-owned subsidiary, collectively referred to herein as the "Company, We, or Us". The Company is a wholly-owned subsidiary of Marina District Development Holding Co., LLC ("Holding Company" or "Parent"). Holding Company is jointly owned by MAC, Corp. ("MAC"), a wholly-owned subsidiary of MGM MIRAGE, and Boyd Atlantic City, Inc. ("BAC"), a wholly-owned subsidiary of Boyd Gaming Corporation. Our purpose is to develop, own, and operate a hotel casino and spa facility at Renaissance Pointe in Atlantic City, New Jersey. BAC, as the managing venturer of the Holding Company, has oversight responsibility for the management of Borgata which includes the design, development, construction and day to day operations. We do not record a management fee from BAC as our management team directly performs these services or negotiates contracts to provide for these services. As a result, the costs of these services are directly borne by the Company and are reflected in our accompanying condensed consolidated financial statements.

Borgata features 125,000 square feet of gaming, 145 gaming tables, 3,640 slot machines, 2,002 guest rooms and suites, 11 destination restaurants, 11 retail boutiques, a 50,000 square foot spa, 70,000 square feet of event space and parking for 7,100 cars.

Pursuant to CCC-200I, periods prior to July 3, 2003 have been omitted as we were not in operation.

#### *Cash and Cash Equivalents*

Cash and cash equivalents include highly liquid investments with maturities of three months or less at their date of purchase. The carrying value of these investments approximates their fair value due to their short maturities.

#### *Receivables and Patrons' Checks, net*

Receivables and patrons' checks consist primarily of casino, hotel and other receivables, net of an allowance for doubtful accounts of \$1,563,000 at September 30, 2003. The allowance for doubtful accounts is estimated based upon our collection experience and the age of the receivables.

### *Inventories*

Inventories consist primarily of food and beverage and retail items and are stated at the lower of cost or market. Cost is determined using the average cost method.

### *Property and Equipment*

Property and equipment are stated at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets or, for leasehold improvements, over the shorter of the asset's useful life or the life of the lease. Costs of major improvements are capitalized, while costs of normal repairs and maintenance are charged to expense as incurred. Gains or losses on disposal of assets are recognized as incurred.

### *Capitalized Interest*

Interest costs incurred during the construction of the facility, which include commitment fees, letter of credit fees and the amortized portion of deferred loan origination fees, were capitalized and included in construction in progress, a component of property and equipment, on the accompanying condensed consolidated balance sheets. Capitalization of interest ceased on July 3, 2003, when the project was considered substantially complete.

### *Deferred Loan Origination Fees*

Deferred loan origination fees incurred in connection with the issuance of long-term debt are capitalized and amortized over the terms of the related debt agreement.

### *Revenue and Promotional Allowances*

Casino revenue represents the net win from gaming activities, which is the difference between gaming wins and losses. The majority of our casino revenue is counted in the form of cash, chips, tickets and tokens and therefore is not subject to any significant or complex estimation procedures. Revenues include the estimated retail value of rooms, food and beverage, and other goods and services provided to customers on a complimentary basis. Such amounts are then deducted as promotional allowances. The estimated costs and expenses of providing these promotional allowances are charged to the gaming department in the following amounts:

	Three Months Ended September 30, 2003
Room	\$ 3,193,000
Food and beverage	8,359,000
Other	3,245,000
<b>Total</b>	<b>\$ 14,797,000</b>

Promotional allowances also include incentives such as cash, goods and services earned in our slot club program. For the three month period ended September 30, 2003, these incentives were \$12,496,000.

### *Income Taxes*

Our Parent and we are treated as partnerships for federal income tax purposes; therefore, federal income taxes are the responsibility of MAC and BAC. In New Jersey, casino partnerships are subject to state income taxes under the Casino Control Act and the partnership is required to record New Jersey state income taxes.

### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and notes. Significant estimates incorporated into our financial statements include the estimated useful lives for depreciable and amortizable assets, the estimated allowance for doubtful accounts receivable, estimated liabilities for our self-insured medical plan, slot bonus point programs, and litigation, claims and assessments. Actual results could differ from those estimates and assumptions.

### *Preopening Expenses*

We expensed certain costs of start-up activities as incurred during our development stage, which ended when we began operating on July 3, 2003.

### *Derivative Financial Instruments and Other Comprehensive Income (Loss)*

We account for our interest rate protection agreements as derivative financial instruments in accordance with Statement of Financial Accounting Standards ("SFAS") No. 133, *Accounting for Derivative Instruments*. Our derivative financial instruments are utilized to reduce interest rate risk. We do not enter into derivative financial instruments for trading or speculative purposes. SFAS No. 133 requires all derivatives to be recognized on the balance sheet at fair value. Derivatives that are not designated as cash flow hedges must be adjusted to fair value through income. For derivatives designated as a hedge, depending on the nature of the hedge, changes in the fair value of derivatives are either offset against the change in fair value of the hedged item through earnings or recognized in other comprehensive income (loss) until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings.

We account for our comprehensive income (loss) in accordance with SFAS No. 130, *Reporting Comprehensive Income*. Such amounts of accumulated other comprehensive income (loss) related to our derivative financial instruments are expected to reverse through our condensed consolidated statements of operations over the lives of the derivative financial instruments.

### *Recently Issued Accounting Standards*

In January 2003, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 46, *Consolidation of Variable Interest Entities*. This interpretation of Accounting Research Bulletin No. 51, *Consolidated Financial Statements* addresses consolidation by business enterprises of variable interest entities, which have certain characteristics. The requirements of this standard are effective for financial statements of interim or annual periods beginning after December 15, 2003. We do not expect the adoption of this standard to have a material impact on our condensed consolidated financial statements.

In April 2003, the FASB issued SFAS No. 149, *Amendment to Statement 133 on Derivative Instruments and Hedging Activities*. SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. SFAS No. 149 is applied prospectively and is effective for contracts entered into or modified after June 30, 2003, except for SFAS No. 133 implementation issues that have been effective for fiscal quarters that began prior to June 15, 2003 and certain provisions relating to forward purchases and sales on securities that do not yet exist. The adoption of this standard did not have a material impact on our condensed consolidated financial statements.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*. SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of this standard did not have a material impact on our condensed consolidated financial statements.

## **Note 2. Capital Contributions**

Total equity contributions, before scope changes to the project, are expected to be \$414,000,000. As of September 30, 2003, we have received \$412,700,000 in cash and non-cash equity contributions. The components of the equity contributed as of September 30, 2003 are as follows:

Cash	\$	321,267,000
Land		87,301,000
Special Revenue Bonds		2,699,000
Other		1,433,000
<b>Capital contributions</b>	<b>\$</b>	<b><u>412,700,000</u></b>

## **Note 3. Receivables and Patrons' Checks**

Receivables and Patrons' Checks consist of the following:

	September 30, 2003
Casino receivables (net of an allowance for doubtful accounts – 2003, \$1,529,000)	\$ 7,645,000
Other (net of an allowance for doubtful accounts – 2003, \$34,000)	3,314,000
Due from related parties (Note 7)	255,000
<b>Receivables and patrons' checks, net</b>	<b>\$ <u>11,214,000</u></b>

#### **Note 4. Property and Equipment, net**

Property and Equipment consists of the following:

	<u>Estimated Life (Years)</u>	<u>September 30, 2003</u>
Land	-	\$ 87,301,000
Building and leasehold improvements	3-40	801,755,000
Furniture and equipment	3-10	<u>118,688,000</u>
Total		1,007,744,000
Less accumulated depreciation		<u>13,960,000</u>
<b>Property and equipment, net</b>		<b><u>\$ 993,784,000</u></b>

#### **Note 5. Other Accrued Expenses**

Other Accrued Expenses consist of the following:

	<u>September 30, 2003</u>
Payroll and related	\$ 17,477,000
Other	<u>26,623,000</u>
<b>Other accrued expenses</b>	<b><u>\$ 44,100,000</u></b>

#### **Note 6. Other Current Liabilities**

Other Current Liabilities consist of the following:

	<u>September 30, 2003</u>
Due to related parties (Note 7)	\$ 4,559,000
Other	<u>5,720,000</u>
<b>Other current liabilities</b>	<b><u>\$ 10,279,000</u></b>

#### **Note 7. Related Parties**

Pursuant to our operating agreement, MAC is solely responsible for any investigation, analyses, cleanup, detoxification, testing, monitoring, or remediation related to Renaissance Pointe. The related amounts due from MAC for these types of expenditures incurred by us were \$162,000 at September 30, 2003. Reimbursable environmental expenditures incurred were \$88,000 for the three month period ended September 30, 2003.

In December of 2002, we began making payments on behalf of Boyd Gaming Corporation related to investigative services for our casino license. The related amounts incurred by us and due from Boyd Gaming Corporation for these types of expenses were \$93,000 at September 30, 2003. Reimbursable expenditures incurred by us for the three month period ended September 30, 2003 were \$7,000.

Pursuant to our operating agreement, MAC is responsible for the development of master plan and government improvements at Renaissance Pointe. The related amounts due to MAC for our allocable share of these types of expenditures were \$3,948,000 at September 30, 2003. Master plan and government improvement expenditures reimbursable to MAC were \$292,000 for the three month period ended September 30, 2003 and were capitalized as construction in progress, a component of property and equipment, on the condensed consolidated balance sheets.

On May 20, 2002, we entered into a 75 year ground lease agreement with MAC related to our employee parking garage (see Note 10) which was completed and placed into service in May 2003. On February 21, 2003, we entered into a 3 year ground lease agreement with MAC related to our surface parking lot (see Note 10) which was completed and placed into service in July 2003. The related amounts due to MAC for these types of expenditures were \$42,000 at September 30, 2003. Related rent expense was \$292,000 for the three month period ended September 30, 2003, which was included in selling, general, and administrative expenses on the condensed consolidated statement of operations.

We reimburse BAC for compensation paid to employees performing services for us on a full-time basis and for out-of-pocket costs and expenses incurred related to travel. BAC is also reimbursed for various payments made on our behalf. The related amounts due to BAC for these types of expenditures paid by BAC were \$569,000 at September 30, 2003. Reimbursable expenditures during the three month period ended September 30, 2003 were \$3,040,000, which were included in selling, general, and administrative expenses on the condensed consolidated statement of operations.

The related party balances above are non-interest bearing.

## **Note 8. Long-Term Debt**

On December 13, 2000, we entered into a \$630,000,000 bank credit agreement ("Credit Agreement"). Amounts outstanding under each component of the Credit Agreement are as follows:

	September 30, 2003
Tranche A line of credit	\$ 392,500,000
Tranche B notes	187,500,000
Revolving line of credit	18,250,000
Total long-term debt	598,250,000
Less current maturities	49,375,000
Total	<u>\$ 548,875,000</u>

The Credit Agreement consists of a \$442,500,000 line of credit ("Tranche A") and a \$187,500,000 bridge loan commitment ("Bridge Loan Commitment"). Tranche A will function as a line of credit until the facility construction is completed and other conditions required under the Credit Agreement are met (the "Completion Date"), at which time the outstanding balance under Tranche A converts to a term loan, which matures in December 2007. The principal amount of the term loan shall be repaid quarterly in minimum payments starting at \$11,875,000 and increasing up to \$15,625,000, commencing on the last day of our first full quarter following the Completion Date (the "Conversion Date") and continuing on the last day of each fiscal quarter thereafter through and including September 30, 2007, and on December 13, 2007, all outstanding principal shall be due and payable. On the Completion Date, any availability under Tranche A, and, after the Completion Date any availability created from optional prepayments on Tranche A, will serve as a revolving line of credit that may not exceed \$50,000,000. The interest rate on Tranche A is based upon either the agent bank's quoted base rate, plus an applicable margin of 2%, or the LIBOR rate, plus an applicable margin of 3% until the last day of our first full fiscal quarter following the Completion Date. Following such date, the interest rate on Tranche A will be based upon the agent bank's quoted base rate, plus a range of 1% to 2% per annum that is determined based upon a predefined leverage ratio or the LIBOR rate plus a range of 2% to 3% per annum that is determined based upon the same predefined leverage ratio. At September 30, 2003, the blended interest rate on Tranche A was 4.1%.

We began borrowing Tranche A funds on April 15, 2002. On July 15, 2002, all \$187,500,000 of the Bridge Loan Commitment amount was converted to Tranche B Notes ("Tranche B"). We issued \$187,500,000 of Tranche B, subject to all terms and conditions of the Credit Agreement, of which \$100,200,000 was used to pay down amounts outstanding under Tranche A at that time. The principal amount of Tranche B shall amortize quarterly at the rate of 0.25% of the original principal balance per quarter, commencing on the Conversion Date and continuing on the last day of each fiscal quarter thereafter through and including September 30, 2007, and on December 13, 2007, all outstanding principal shall be due and payable. Tranche B bears interest at a rate per annum (a) on that portion maintained from time to time as a Base Rate Loan, equal to the sum of the Base Rate from time to time in effect plus the Applicable Tranche B LIBOR Rate Margin in effect from time to time minus 1.00% per annum; and (b) on that portion maintained as a LIBOR Rate Loan, during each interest period applicable thereto, equal to the sum of the LIBOR Rate (Reserve Adjusted) for such interest period plus 4.00% per annum through the date of delivery of a Compliance Certificate for the first full calendar quarter following the Conversion Date and thereafter adjusted based on our leverage ratio. At September 30, 2003, the blended interest rate on Tranche B was 5.1%.

The Credit Agreement is secured by substantially all of our real and personal property. The Credit Agreement contains certain financial and other covenants, the majority of which do not begin to apply until the first full fiscal quarter following the Completion Date. We believe we are in compliance with the covenants in effect at September 30, 2003.

Scheduled maturities of long-term debt for the years ending December 31 are as follows:

2003	\$ 12,344,000
2004	50,625,000
2005	55,625,000
2006	60,625,000
2007	419,031,000
Thereafter	-
<b>Total</b>	<b><u>\$ 598,250,000</u></b>

#### **Note 9. Interest Rate Protection Agreements**

On March 8, 2001, we entered into several interest rate protection agreements to comply with the requirements of our Credit Agreement at an initial cost of \$771,000. The interest rate protection agreements consist of interest rate swaps, caps and collars with a combined total initial aggregate notional amount of \$310,000,000 that commence and mature at various dates ranging from December 2001 to December 2005. The interest rate protection agreements are accounted for as derivative financial instruments in accordance with SFAS No. 133. The fair values of the derivative financial instruments at September 30, 2003 have been recorded on the accompanying condensed consolidated balance sheets, as a component of other liabilities.

We recorded a net gain of \$39,000 (of which a net gain of \$380,000 was due to hedge ineffectiveness) in the condensed consolidated statements of operations as a net gain on derivative financial instruments, a component of nonoperating income (expense), for the three month period ended September 30, 2003. We recorded net income of \$5,994,000 in other comprehensive income (loss) on the condensed consolidated balance sheets at September 30, 2003. We estimate a net amount of \$544,000 of existing net losses reported in accumulated other comprehensive loss at September 30, 2003 to be recorded as net losses on derivative financial instruments, a component of nonoperating income (expense), in the condensed consolidated statement of operations within the next twelve month period through quarterly mark to market valuations of our derivative financial instruments.

#### **Note 10. Commitments and Contingencies**

Future minimum lease payments for each year ending December 31 required under noncancelable operating leases (principally for land - see Note 7) as of September 30, 2003 are as follows:

2003	\$ 836,000
2004	3,027,000
2005	2,498,000
2006	2,374,000
2007	2,248,000
Thereafter	71,257,000
<b>Total</b>	<b><u>\$ 82,240,000</u></b>



For the three month period ended September 30, 2003, total rent expense was \$1,642,000 which is included as selling, general, and administrative expense in the condensed consolidated statement of operations.

In December 2000, we entered into an executory contract with a wholly-owned subsidiary of a local utility company. The utility company subsidiary has constructed, at its own expense, a central utility plant in order to provide thermal energy (hot water and chilled water) and emergency generation of electricity during periods of electric service interruption to Borgata (as well as other casinos and related business at or near Renaissance Pointe). The term of the contract is 20 years commencing at the time of opening of Borgata in 2003. Obligations under the executory contract contain both fixed fees and variable fees based upon usage rates. The fixed fee components under the executory contract are currently estimated at approximately \$6,000,000 per annum.

We entered into letter of credit agreements to guarantee various construction activities. These agreements provide credit availability to the various beneficiaries if certain contractual events occur. Amounts under these agreements totaled \$2,300,000 at September 30, 2003.

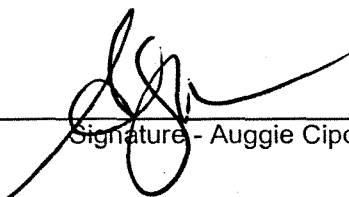
We are subject to various claims and litigation in the normal course of business. In our opinion, all pending legal matters are either adequately covered by insurance, or if not insured, will not have a material adverse impact on our condensed consolidated financial statements.

#### **Note 11. Income Taxes**

We recorded state income tax of \$617,000 and adjusted net profits tax of \$148,000 related to our post-opening pretax income on our condensed consolidated statement of operations for the three month period ended September 30, 2003.

## STATEMENT OF CONFORMITY AND COMPLIANCE

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report, has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.

  
\_\_\_\_\_  
Signature - Auggie Cipollini

\_\_\_\_\_  
Vice President - Finance  
Title

\_\_\_\_\_  
7163-11  
License Number

On Behalf of:  
Marina District Development Company LLC  
Casino Licensee